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\_\_\_\_\_ NATIONAL INTELLIGENCE DAILY CABLE \_\_\_\_\_  
 \_\_\_\_\_ Friday September 17, 1976 \_\_\_\_\_ CI NIDC 76-219C \_\_\_\_\_

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National Intelligence Daily Cable for Friday, September 17, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Report

25X1 [ ] The talks involving Syrian, Palestinian, and Lebanese representatives, which were proposed by Arab League mediator al-Khuli, begin today in Shaturah, a Lebanese town under Syrian control.

25X1 [ ] Camille Shamun, speaking in his new capacity as acting prime minister, indicated yesterday that the negotiations would cover the terms of a new cease-fire, a timetable for the application of the restrictive Cairo accords, and the withdrawal of Palestinian forces from the Mount Lebanon area.

25X1 [ ] //The negotiating mandate of Lebanese president-elect Sarkis, who will represent the Christian side, is likely to be highly circumscribed by Shamun and President Franjiyah. Shamun, insisted yesterday that the Palestinians would have to withdraw from "all fronts."

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25X1 [ ] //The talks today probably will be only preliminary; Sarkis flies to Cairo tomorrow to meet with President Sadat. Sarkis, like Christian Phalanges leader Jumayyil--who was in Cairo earlier this week--is likely to urge Sadat to encourage the Palestinians and Lebanese leftists to negotiate in good faith and to make a plea for the Egyptians to patch up their quarrel with the Syrians in order to facilitate an overall settlement to the Lebanese civil war. Sadat can be expected to urge Sarkis to seek a Syrian withdrawal at the earliest possible date.//

25X1 [ ] President Franjiyah's cabinet shuffle continues to draw angry denunciations from Lebanese Muslims. The pro-leftist radio in Beirut yesterday accused the President of stripping Muslim Prime Minister Karami of most of his power in order to promote partition and obstruct the transfer of constitutional power to Sarkis.

25X1 [ ] Franjiyah and Shamun probably intend to use their temporarily enhanced authority to implement measures that will strengthen the position of their supporters in the new Sarkis

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government. By giving Shamun the defense portfolio, the two men clearly hope to ensure the Maronites a dominant voice in the reconstruction of the Lebanese army. This could place Shamun at odds with the Syrians

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RHODESIA - SOUTH AFRICA: Situation Report

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[REDACTED] //The ruling Rhodesian Front party has given Prime Minister Smith a unanimous vote of confidence and "full backing to negotiate" on behalf of the Rhodesian people, according to press reports. There is no indication, however, that the party's action, taken yesterday at its annual congress, reflects any softening in the Smith government's position toward a settlement with the black nationalists.//

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[REDACTED] //Prior to the congress, right-wing members of the party, who are opposed to any concessions to the blacks, reportedly were unhappy with some government actions. The unanimous backing given to Smith at the congress suggests that the right-wingers are satisfied that the Prime Minister does not plan any new moves toward a settlement.//

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[REDACTED] //Smith is expected to return to Pretoria this weekend for more talks with South African Prime Minister Vorster, and the Rhodesian Front's action may have been designed to give Rhodesia the appearance of reasonableness in the face of any pressure for new settlement talks.//

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[REDACTED] In South Africa, the latest round of work stoppages and scattered demonstrations has thus far not resulted in major outbreaks of violence. The three-day work stoppage of black workers in Soweto was highly successful; some three fourths of the workers stayed away from their jobs in nearby Johannesburg.

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[REDACTED] Although there are conflicting reports regarding the number of black deaths that occurred during the boycott, the level of violence was far below that of the boycott last month. Police seem to have helped reduce violence by using mass arrests rather than relying on weapons to control the situation.

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25X1 [ ] In Cape Town, a work boycott by coloreds (mulattos) is sputtering along and scheduled to end today. The heaviest absenteeism is reported among dock hands and small commercial firms that employ only a few workers. There was a flurry of mob violence last night but most services in the city continued to operate. A school boycott by nonwhite students that began on Wednesday continued yesterday. [ ]

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INTERNATIONAL: Oil Bills

25X1 [ ] //Higher volumes and prices pushed non-communist oil bills in the first half of 1976 to a record \$60.6 billion. We expect the total cost for 1976 to reach \$127 billion, 19 percent above the 1975 level.//

25X1 [ ] //Higher oil import volume accounted for more than half the increase in oil bills. Non-communist imports were 27 million barrels per day, compared with 25 million barrels per day in the first half of 1975. Because of the price hike imposed in September 1975 by the Organization of Petroleum Exporting Countries, the average price of imported oil in the first half of 1976 was 9.5 percent above the level a year earlier.//

25X1 [ ] //Import volumes in the seven major industrial countries--the US, UK, France, Italy, West Germany, Japan, and Canada--in the first half of this year were roughly 8 percent above levels a year earlier. US oil import volume jumped nearly 13 percent.//

25X1 [ ] //Net oil imports of non-OPEC developing countries as a group grew to an estimated 3 million barrels per day in the first half of 1976, up 10 percent from the first half of 1975. Import growth in the stronger economies such as South Korea and Taiwan has been particularly rapid, running close to 20 percent annually. Increasing oil production, primarily in Mexico and Egypt, has kept the overall developing countries' deficit from skyrocketing.//

25X1 [ ] //Despite the recent slackening in the pace of economic recovery in several major countries, the volume of the seven major industrial countries' imports in the second

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half of this year will be 11 percent above the pace for the first half of 1976 and 17 percent above the average 1975 rate. Stockpiling in anticipation of the expected December OPEC price hike will account for some of the increase. We expect imports by the small developed countries to rise by about 2 percent in the second half of 1976.//

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[ ] //In 1977, the main determinant of the rise in oil bills will be the price decision taken by OPEC oil ministers at their December meeting. At the 1976 volume, each 1 percent change in the price of oil has a \$1.3 billion effect on non-communist countries' oil bill. If economic activity continues to rise as expected in 1977, the oil import bill could reach \$152 billion.//

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[ ] //The increase in oil bills next year will not be evenly distributed.//

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[ ] //Even without a price hike, the US bill would increase by roughly \$6 billion in 1977 because of rising consumption and declining production. A 15-percent OPEC price rise would add \$5 billion, bringing the oil import bill to \$44 billion next year, compared with \$32 billion in 1976.//

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[ ] //We expect the volume of Japanese oil imports to increase 5 percent in 1977. A 15-percent rise would boost Japan's oil bill to roughly \$28 billion next year, compared with \$23 billion in 1976.//

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[ ] //Britain's oil bill will fall substantially because of rapidly rising North Sea production. France and Italy, which lack alternative energy sources, will import substantially more oil next year. Import bills will likely rise by about \$2.1 billion and \$1.7 billion respectively. The West German bill will rise by \$2 billion.//

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[ ] //Canada's net oil import bill will more than triple in 1977 because the expected 5 percent rise in oil demand will have to be covered entirely by imports.//

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[ ] //The expected \$25 billion increase in oil bills next year should not, of itself, prove an unmanageable burden for the consuming countries. It will, however, exacerbate existing economic problems for many.//

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25X1 [REDACTED] //The higher oil bills will intensify current account problems in some countries. Italy and France, after achieving near balances in their current accounts last year, have already seen their balances shift into the red. The expected oil price hike will also hit hard at the current accounts of some countries such as Greece and Portugal, which have experienced deficit problems over the last few years.

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